

**PUBLIC DISCLOSURE**

SEPTEMBER 21, 1998

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**SPRINGFIELD TEACHERS CREDIT UNION**

145 INDUSTRY AVENUE  
SPRINGFIELD, MA 01970

DIVISION OF BANKS  
100 CAMBRIDGE STREET  
BOSTON, MA 02202

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## **GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of SPRINGFIELD TEACHERS CREDIT UNION prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

Springfield Teachers Credit Union's CRA rating is based on the following three performance criteria: net loans to total shares and deposits; the distribution of lending to borrowers of different income levels; and Fair Lending policies and practices. These factors are considered within the credit union's performance context.

The satisfactory rating is based on the reasonable distribution of loans to borrowers of all income levels, reasonable performance with regard to fair lending policies and practices and average net loans to total shares and deposits of 54.8%. The distribution of lending to borrowers of all income levels was given the greatest consideration in the overall evaluation because it demonstrates the institution's record of helping to meet the credit needs of its entire membership including low and moderate-income borrowers.

No evidence of discriminatory or other illegal credit practices were noted during this examination.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Springfield Teachers Credit Union is a Massachusetts chartered credit union, which was incorporated on October 5, 1929. The credit union's sole office is located at 145 Industry Drive, Springfield, Massachusetts. This office has a drive-up facility with extended hours; however no ATM service is available. The credit union does, however, offer ATM cards to members. Unlimited free ATM transactions with direct deposit or up to 5 free ATM network transactions per month without direct deposit are available .

As of June 30, 1998, the credit union's total assets were \$63.9 million with total loans representing \$29.9 million or 46.8% of total assets. The following table depicts the credit union's loan portfolio composition based on the June 30, 1998 NCUA Call Report of Condition.

<b>LOAN PORTFOLIO COMPOSITION</b>		
<b>LOAN TYPE</b>	<b>\$ AMOUNT (000'S)</b>	<b>%</b>
New and Used Vehicle	6,793	22.7
Personal Loans	3,610	12.0
Credit Card/ Lines of Credit	1,723	5.8
Share Secured Loans	782	2.6
First Mortgage Loans	13,479	44.9
Home Equity Loans	3,592	12.0
<b>TOTALS</b>	<b>29,979</b>	<b>100.0</b>

First mortgages and home equity loans combined comprise 56.9% of the entire loan portfolio. New and used vehicle loans comprise 22.7% of the loan portfolio. Personal loans and credit card lines of credit represent 12.0% and 5.8%, respectively of total loans, while share secured loans comprise the remaining 2.6% of loans outstanding.

Although, the credit union has diversified its loan portfolio to include mortgage and home equity loans, its lending philosophy and policy remains focused on serving its members' diverse credit needs, particularly the need for small loans. As of June 30, 1998, credit card lines and unsecured personal loans numbered 1,347 lines and 1,090 loans, respectively. Based on the number of loans, these small loan groups represented 61.3% of all the institution's loans outstanding.

Competition within the credit union's assessment area includes a variety of community based and industrial credit unions, small loan companies, community banks and regional and national mortgage companies. Given its asset size and financial capacity, Springfield Teachers Credit Union has been successful in helping to meet the credit needs of its assessment area/ membership.

The Division of Banks last conducted a CRA exam on February 7, 1996, which resulted in the Springfield Teachers Credit Union receiving a "Satisfactory" Community Reinvestment Act (CRA) rating.

### **Description of Assessment Area**

The Community Reinvestment Act (CRA) regulation requires that each financial institution delineate one or more assessment areas within which the institution's record of helping to meet community credit needs is evaluated. However Springfield Teachers Credit Union is an industrial credit union whose membership by-law provisions are based primarily on the employment/occupation of the members. Under Massachusetts Division of Banks' new CRA regulation, effective May 16, 1997, a credit union whose membership provisions are not based on residence may delineate its membership as its assessment area. Consequently, for the purpose of this evaluation the credit union's membership by-law provisions define the institution's assessment area.

Springfield Teacher Credit Union's by-laws define the individuals eligible for membership as follows: teachers, teacher aides, principals, and supervisors employed in the public schools in the City of Springfield and teachers, and staff of Springfield Technical Community College. The membership by-law further includes; faculty members and administrative staff of American International College; and teachers, teachers aides and administrators of Minnechaug Regional High School; and retirees of all the above mentioned institutions. Lastly, the credit union's membership includes employees/retirees of Springfield Teachers Credit Union and the family members of all eligible members. Family members are defined as spouse, son or daughter, mother and father, sister and brother.

Springfield Teachers Credit Union has 8,324 current members and estimates its potential members at 15,000. During the exam, Springfield Public School's human resource department provided information on the number of teachers, administrators and teachers aides employed. As of the exam date, Springfield's public schools employed 2,440 teachers, 150 administrators and 600 teacher's aides for a total of 3,190 individuals employed in these capacities.

Although the credit union has expanded its sphere of membership, the original employee base of the Springfield Public School System continues to be the largest and primary membership group.

## **PERFORMANCE CRITERIA**

### **1. LOAN TO DEPOSIT ANALYSIS**

The first criterion evaluated is the credit union's net loans to total shares and deposit ratio. Net loans to deposits ratio fluctuates on a seasonal basis due to the majority of members receiving salary or wages during the school year. The average net loan to total deposit ratio of 54.8% was reasonable and meets the standards for a satisfactory performance.

The credit union's net loan to total share and deposit figures were analyzed using the institution's NCUA Call Report of Condition for four semiannual periods. The periods reviewed covered December 31, 1996 to June 30, 1998. The net loan to deposit ratios ranged from the lowest point of 52.7% on June 30, 1998 to the highest point of 58.2% on December 31, 1997. As noted above, the average net loan to share ratio for the period was 54.8%; however, seasonal fluctuations occur. Overall loan growth for the period reviewed was 9.7%, while total shares and deposits grew by 15.5%.

The following table provides net loans to deposit ratios for credit unions located in Springfield and other communities within Hampden County. The ratios shown are calculated from NCUA Call report figures as of year end December 31, 1997. These credit unions range in asset size from \$30.0 million to \$198.2 million.

<b>COMPARATIVE LOAN TO DEPOSIT RATIOS</b>	
Chicopee Municipal Employees Credit Union	30.1%
Holyoke Credit Union	68.1%
Polish National Credit Union	35.1%
Springfield Teachers Credit Union	58.2%
Springfield Mass Municipal Employees Credit Union	73.9%
Western Mass Telephone Workers Credit Union	78.1%

In conclusion, the institution's average net loan to total share and deposit ratio of 54.8% is reasonable and meets standards for a satisfactory rating given the credit union's capacity to lend and the credit needs of its membership.

## **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)**

This criterion evaluates an institution's record of lending within a defined geographic assessment area. Under the revised CRA regulations however, a credit union whose membership is not based on residence may define its assessment area as its membership. Since Springfield Teachers Credit Union has defined its assessment area in this manner, an analysis of lending inside and outside of a geographically defined assessment area is not meaningful.

## **3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS**

The third performance criterion evaluates the extent to which the institution lends to borrowers of different income levels within its membership/assessment area. The credit union's performance for this criterion was found to be reasonable and to meet standards for a satisfactory performance. The distribution of the credit union's mortgage originations according to borrower income was reviewed, based on data from the Home Mortgage Disclosure Act Loan Application Register. Borrower income levels were compared to the median Family Household Income (FHI) for the MSA in which the property is located to determine the borrowers income levels. By definition, borrowers qualify as low income (below 50% of MSA median FHI), moderate-income (between 50% and 79% of MSA median FHI), middle-income (between 80 and 119% of MSA median FHI) and upper-income (120% or more of MSA median FHI).

The Springfield, MA MSA Median Family Household Incomes (FHI) for 1997 and 1998 was \$ 45,500. In the Springfield, Ma MSA for 1997 and 1998, a low-income family earned \$22,750 or less, and a moderate-income family household earned no more than \$36,400 annually. Middle income families had incomes ranging just above \$36,400 to no greater than \$54,600, while upper income family households earned greater than \$54,600 annually.

The following two tables depict the credit union's distribution of mortgage loans by borrower income levels. The analysis includes first mortgage loans, FHA home improvement loans and home equity loans granted for the purpose of home improvement.

<b>MORTGAGE LOAN ORIGINATIONS BY BORROWER INCOME LEVELS (NUMBER)</b>						
% OF MEDIAN MSA INCOME	1997		1998 YTD		TOTAL	
	#	%	#	%	#	%
Low (<50%)	1	1.3	0	0.0	1	0.9
Moderate (50% - 79% )	6	7.6	3	8.6	9	7.9
Middle (80% - 119%)	22	27.8	13	37.1	35	30.7
Upper (>120%)	50	63.3	19	54.3	69	60.5
<b>TOTAL</b>	<b>79</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>114</b>	<b>100.0</b>

**Table 3a-1**

*Source: Home Mortgage Disclosure Act - Loan Application Register (HMDA-LAR) for year 1997 and 8 months ending August 31, 1998.*

<b>MORTGAGE LOAN ORIGINATIONS BY BORROWER INCOME LEVELS (DOLLARS)</b>						
% OF MEDIAN MSA INCOME	1997		1998 YTD		TOTAL	
	\$	%	\$	%	\$	%
Low (<50%)	15	0.5	0	0.0	15	0.3
Moderate (50% - 79% )	165	5.1	158	7.7	323	6.1
Middle (80% - 119%)	657	20.4	631	30.9	1,288	24.5
Upper (>120%)	2,385	74.0	1,256	61.4	3,641	69.1
<b>TOTAL</b>	<b>3,222</b>	<b>100.0</b>	<b>2,045</b>	<b>100.0</b>	<b>5,267</b>	<b>100.0</b>

**Table 3a-2**

*Source: Home Mortgage Disclosure Act - Loan Application Register (HMDA-LAR) for calendar 1997 and 8 months ending August 31, 1998.*

As shown in the above tables, the credit union granted the majority of its residential loans (60.5% by number and 69.1% by dollars) to upper income households. Additionally however, the credit union granted a significant segment of its residential loans (30.7% by number and 24.5% by dollars) to middle income borrowers/households. Finally, the credit

union granted the smallest segment of residential loans ( 8.8% by number and 6.4% by dollar) to low and moderate income borrowers.

The distribution of residential lending among borrowers of different incomes can be attributed to a number of factors. The credit union, unlike a community-oriented institution, is bound to a captive membership largely comprised of teachers or administrators whose salaries are in the middle or upper income brackets. Additionally, homeownership for low and moderate-income families is often not affordable. The credit union's mortgage product offerings are limited to conventional mortgages requiring an 80% Loan to Value (LTV). For low and moderate-income families, downpayments are often difficult to accumulate. Consequently, mortgage programs requiring a sizable 20% down payment serve as a stumbling block for these potential borrowers.

In addition, Springfield Teachers Credit Union is an active consumer lender. The credit union granted 1,269 consumer loans, which totaled \$8.1 million in the year ending December 31, 1997, and 1,172 consumer loans, which totaled \$6.5 million in the 8 months ending August 31, 1998. The above totals include all types of consumer loans granted by the institution.

The credit union's unsecured personal loans were analyzed by borrower income levels. A sample of personal loan originations was randomly selected. A sample of 40 loans was taken from the 652 loans made in 1997 while a sample of 41 loans were selected from the 548 loans made in 1998. These loan samples, respectively, represented \$199,000 in 1997 loans and \$394,000 in 1998 loans. The periods reviewed were the 12-months ending December 31, 1997 and the 8-months ending August 31, 1998.

Tables 3b-1(by number) and 3b-2 (by dollar) detail the distribution of personal loans by borrower income levels. Borrower income levels were compared to Median Springfield, MA MSA Family Household Income for 1997 and 1998 of \$45,500.

<b>PERSONAL LOAN ORIGINATIONS BY BORROWER INCOME LEVELS (NUMBER)</b>						
% OF MEDIAN MSA INCOME	1997 *		1998 *		TOTAL	
	#	%	#	%	#	%
<50%	7	17.5	5	12.2	12	14.8
50% - 79%	9	22.5	9	21.9	18	22.2
80% - 119%	12	30.0	19	46.4	31	38.3
120% >	12	30.0	8	19.5	20	24.7
<b>TOTAL</b>	<b>40</b>	<b>100.0</b>	<b>41</b>	<b>100.0</b>	<b>81</b>	<b>100.0</b>

**Table 3b-1** Source: sample of personal loan granted during 1997 and 1998

<b>PERSONAL LOAN ORIGINATIONS BY INCOME OF BORROWER (DOLLARS)</b>
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% OF MEDIAN MSA INCOME	1997		1998		TOTAL	
	\$ (000)	%	\$(000)	%	\$(000)	%
<50%	16	7.9	16	8.2	32	8.2
50% - 79%	28	14.0	27	13.9	55	13.9
80% - 79%	77	38.8	102	52.5	179	45.4
120% >	78	39.3	50	25.4	128	32.5
<b>TOTAL</b>	<b>199</b>	<b>100.0</b>	<b>195</b>	<b>100.0</b>	<b>394</b>	<b>100.0</b>

**Table 3b-2** Source: sample of personal loans granted in 1997 and 1998.

The above tables indicate that the credit union's distribution of credit according to income of the borrowers is more evenly distributed in the case of personal or consumer loans. Low and moderate-income borrowers combined received a substantial proportion (37.0% by number and 22.1% by dollar) of the loans granted. Middle income borrowers received the largest segment (38.3% by number and 45.4% by dollar volume) of loans granted. Loans granted to upper income borrowers represented the smallest percentage of loans granted (24.7% by number granted and 32.5% by dollar.).

It should also be stated that the comparative income used in this analysis is Median Family Household Income for the MSA. Since personal loans are largely granted to individuals rather than joint applicants, use of this comparison has to some degree inflated the results of the above distribution. However, personal loans as a credit product serve a diverse cross-section of the credit union's membership and a more even distribution among borrowers of different income levels is anticipated.

In conclusion, the credit union's distribution of mortgage loans by borrower income levels demonstrates that the majority of mortgage loans are granted to upper income borrowers/households. This distribution is reasonable, given the credit union's mortgage product offerings, and income levels of the majority of the membership. Further, the distribution by borrowers income levels for unsecured personal loans demonstrates a more even distribution among all income levels of borrowers. Consequently, the credit union's lending for this criterion meets the standards for satisfactory performance

#### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

This fourth performance criterion evaluates an institution's record of addressing credit needs of the assessment area based on the geographic distribution of loans. This geographically based analysis is not meaningful for the Springfield Teachers Credit Union; since under the revised CRA regulation a credit union whose membership by-law provisions are not based on residence is permitted to designate its membership as its assessment area. As noted in the Assessment Area Description, the credit union's membership is based on employment affiliations, not residence.

## **5. REVIEW OF COMPLAINTS**

There were no Community Reinvestment Act (CRA) related complaints received by the credit union for the period under review.

### **FAIR LENDING POLICIES AND PRACTICES**

The credit union's loan policy states that no member shall be denied credit based on race, color, national origin, religion, sex, marital status, or age, the fact that the applicant's income is derived from any public assistance program or the applicant has in good faith, exercised any right under the Consumer Protection Act or similar state law.

The following discussion of the credit union's fair lending practices are based on guidelines established by the Division of Banks Regulatory Bulletin 2.3-101, (formerly Administrative Bulletin 5-10).

### **STAFF TRAINING**

Springfield Teachers Credit Union is a member of the Massachusetts Credit Union League, Inc, which offers seminars/workshops on a variety of topics. The credit union sends its loan officers to seminars, which will enhance and strengthen their working knowledge and skills. The loan officers have recently attended seminars on credit reporting, equity loans and fair lending.

The credit union provide training to all employees when a new credit product is introduced. An introduction by Home Options for Massachusetts Elders (H.O.M.E.) on reverse mortgages and other services offered was provided to all employees. Springfield Teachers Credit Union has recently become a participant lender with H.O.M.E.

### **STAFF COMPOSITION AND COMPENSATION**

Currently, the credit union has 12 full-time and 3 part-time employees. Among the institution's staff, there is one employee who is a member of a minority group and one employee who is bilingual in French.

Loan officers are paid on a salary basis and are encouraged to make loans of all dollar amounts.

### **OUTREACH**

The purpose of outreach to community organizations and individuals is to afford the credit union opportunities to better understand the credit needs of its entire membership/assessment area. Springfield Teachers Credit Union has established relationships with organizations, which deal with housing and credit issues. These

organizations include: Hungry Hill Development Corporation, Consumer Credit Counseling of Massachusetts, Inc., Home Options for Massachusetts Elders and the City of Springfield's Office of Housing.

## **CREDIT PRODUCTS AND UNDERWRITING STANDARDS**

Lending policies are reviewed annually by management and submitted to the Board of Directors for review and approval. Credit products and interest rates are reviewed on an on-going basis. The credit union's qualifying underwriting ratios for mortgage loans are 28%/40% (housing expense and total indebtedness to gross monthly income, respectively). Qualifying ratios for consumer lending utilize the same underwriting ratios. However, a loan officer granting the loan can be more flexible if the ratio exceeds guidelines. The officer must document the compensating factors, which allow the loan to be approved.

Springfield Teachers Credit Union strives to provide credit products, which meet the needs of its various members. The credit union offers a variety of consumer loan products, and will grant small credit card lines of \$500 to new borrowers who have not established a credit history. The credit union participates twice yearly in a "car sale" with several local car dealerships. These sales include reduced interest rates and in some cases 100% loan to value ratios. Auto loan pre-approvals are also offered as a loan service.

## **MARKETING**

Springfield Teachers Credit Union markets its loan products and other banking services primarily through its monthly newsletter. The newsletter is mailed with the members monthly account statement and includes the interest rates on all loan and deposit offerings. The credit union will occasionally send other product flyers with the monthly statements.

New employees of the Springfield Public School System are provided an introductory membership package to encourage them to become members. These packages are provided through the school system's personnel department.

## **CREDIT EDUCATION AND CREDIT COUNSELING**

Springfield Teachers Credit Union provides both credit education and counseling to its members on an individual basis. Assistance and advice is offered through the loan inquiry and application process. Both mortgage loan pre-qualifications and auto loan pre-approvals are offered. Members who needed credit counseling are referred to the Springfield office of the Consumer Credit Counseling Services, Inc. (CCCS). The institution works with delinquent borrowers and accepts loan payments through the CCCS.

No formal homebuyer education seminars are offered, however the credit union will refer members to area non-profits and to Springfield's Office of Housing, which provide these educational forums. In early 1998, the credit union offered an educational program on Home Options for Massachusetts Elders reverse mortgage. This program also included

presentations by an attorney and other professionals concerned with financial planning for seniors.

## **SECOND REVIEW PRACTICES**

All first mortgage, equity loan, and FHA home improvement loans are subject to final review and approval by the Board of Directors. These loan applications have been processed and underwritten by the senior loan officer and the officer's recommendation are submitted to the directors. All consumer loan approvals and denials are reviewed by the credit committee. Further, if a loan officer feels a loan application needs a second review, the loan is referred to the Credit Union's manager and then to the Credit Committee.

## **MINORITY APPLICATION FLOW**

The Division reviewed the number of mortgage loan applications received from minority applicants. For 1997 and year- to-date 1998, the credit union received a total of 12 applications from members of minority groups. There were a total of 127 residential loan applications received during the period reviewed. The 12 minority applications represent approximately 9.5 % of the total applications received during the period. The institution appears to receive a reasonable volume of mortgage applications from minority individuals and households. There were no denied minority applicants.

## **CONCLUSION**

Springfield Teachers Credit Union's record of implementing and developing fair lending policies and practices is rated "Satisfactory". This rating is based on regular efforts to market credit products to all segments of its membership/assessment area, variety of credit product offerings, which meet the diverse credit needs of its members, regular efforts to counsel applicants/borrowers and to refer to credit counseling when needed and a compensation structure for loan officers which encourages application from all segments of the assessment area/membership. No illegal discriminatory credit practices were noted.

# THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

## **SPRINGFIELD TEACHERS CREDIT UNION**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **SEPTEMBER 21, 1998**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.